

## Message Text

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43

ACTION AF-18

INFO OCT-01 ADP-00 SS-14 NSC-10 CIAE-00 DODE-00 INR-09

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R 141155 Z MAR 73

FM AMEMBASSY GABORONE

TO SECSTATE WASHDC 4068

INFO AMEMBASSY MASERU

AMEMBASSY MBADANE

AMEMBASSY PRETORIA

AMCONSUL CAPE TOWN

AMCONSUL JOHANNESBURG

UNCLAS GABORONE 0418

E. O. 11652: N/ A

TAGS: EFIN BC

SUBJECT: BUDGET SPEECH, 1973

1. SUMMARY. VICE PRESIDENT AND MINISTER OF FINANCE AND DEVELOPMENT PLANNING MASIRE DELIVERED ANNUAL BUDGET SPEECH AT OPENING SESSION OF NATIONAL ASSEMBLY ON MARCH 12. IN INTRODUCTORY REMARKS, VICE PRESIDENT SAID THAT PHASE I OF BOTSWANA'S LONG TERM DEVELOPMENT STRATEGY, WHICH STRESSED LARGE DEVELOPMENT PROJECTS ESPECIALLY IN MINING SECTOR AND STRENGTHENING OF BASIC INSTITUTIONS, NOW BEGINNING TO PAY DIVIDENDS. HE ALSO OUTLINED MAJOR NEW TAX LEGISLATION TO BE INTRODUCED IN CURRENT SESSION. IN REVIEW OF ECONOMY, THE VICE PRESIDENT STRESSED THAT DRAMATIC INCREASES BOTSWANA'S EXPORTS MAKE IT SUBJECT TO VAGARIES OF INTERNATIONAL MONETARY SYSTEM AND, AS CONSEQUENCE, CALLED FOR MAJOR REFORMS. FOLLOWING REVIEW OF 1971/72 AND 1972/73 BUDGETS. DR. MASIRE DISCUSSED PROJECTED 1973/74 RECURRENT AND DEVELOPMENT BUDGETS. AS CONCERNS RECURRENT BUDGET, PROJECTED EXPENDITURES WILL BE BALANCED BY REVENUES ESTIMATED AT 36.8 MILLION RAND WHICH REPRESENTS 57 PER CENT INCREASE OVER APPROVED 1972/73 BUDGET. THE DEVELOPMENT BUDGET TARGET IS 55 MILLION RAND. ALTHOUGH ACTUAL EXPENDITURES ARE EXPECTED TO BE LOWER.

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MASIRE SAID THAT EMPHASIS IN BUDGET IS GIVEN TO IMPROVED LIVESTOCK PRODUCTION,

RURAL DEVELOPMENT AND STRENGTHENING CAPACITY OF GOVERNMENT, WHICH MARKS BEGINNING OF PHASE II OF BOTSWANA'S DEVELOPMENT. HE ACKNOWLEDGED HEAVY RELIANCE ON FOREIGN DONORS FOR ACHIEVEMENT THIS END AND PAID SPECIAL TRIBUTE TO U. K. SWEDEN, NORWAY, CANADA AND U. S. FOR THEIR GENEROUS ASSISTANCE. END SUMMARY.

2. TAX LEGISLATION TO BE INTRODUCED THIS SESSION DESIGNED TO MODIFY INCOME TAX STRUCTURE, AND SIMPLIFY ADMINISTRATION. MOREOVER, LOWER INCOME GROUPS WILL BE ELIMINATED FROM TAX ROLES. CHANGES IN TAXATION ON MINERAL EXPLOITATION WILL BE PROPOSED TO INSURE MAXIMUM BENEFIT TO BOTSWANA. BILL WILL ALSO CONTAIN MEASURE TO DISCOURAGE BOTSWANA RESIDENTS FROM INVESTING PROFITS OUTSIDE COUNTRY. INVESTMENT INCENTIVES WILL BE PROVIDED BY PROVISION OF SELECTIVE INCENTIVES FOR SPECIAL INDUSTRIES AND BY QUOTE MODERNIZATION UNQUOTE OF RELIEF FOR CAPITAL EXPENDITURES.

3. IN REVIEW OF ECONOMY, MASIRE STRESSED DRAMATIC INCREASES IN EXPORTS ESTIMATED AT R70 MILLION BY NEXT YEAR REPRESENTING 50 PER CENT SUSTAINED INCREASE OVER FIVE-YEAR PERIOD. VALUE OF CATTLE SLAUGHTERED JUMPED FROM R14 MILLION IN 1970 TO R30 MILLION LAST YEAR. THE VICE PRESIDENT SAID INTERNATIONAL MARKET FOR DIAMONDS APPEARS TO HAVE FULLY RECOVERED WITH RESULT DIAMOND EXPORTS MAKING SUBSTANTIAL CONTRIBUTION TO TOTAL EXPORTS. OTHER FAVORABLE INDICATORS INCLUDED INCREASE IN WAGE EMPLOYMENT FROM 25,000 IN 1967 TO 40,000 IN 1972. BANK DEPOSITS INCREASED FROM R21.3 MILLION IN 1971 TO R30.5 MILLION LAST YEAR.

4. AS CONSEQUENCE OF INCREASED TRADE, MASIRE REPORTED BOTSWANA ECONOMY INCREASINGLY AFFECTED BY EXTERNAL ECONOMIC FORCES. HE REVIEWED INTERNATIONAL MONETARY SYSTEM FROM BRETTON WOODS TO SMITHSONIAN AGREEMENT, WHEN RAND DEVALUED BY 12.5 PER CENT IN TERMS OF PREVIOUS GOLD PARITY. JUNE 1972 DECISION OF U. K. TO ALLOW POUND TO FLOAT RESULTED IN FURTHER DEVALUATION OF RAND. RECENT DEVALUATION OF DOLLAR RESTORED RAND TO 1971 VALUE. AS RESULT THESE DISRUPTIVE FLUCTUATIONS, MASIRE CONCLUDED BOTSWANA HAS INTEREST IN ACHIEVING MONETARY STABILITY EQUAL TO MOST DEVELOPED COUNTRIES AND CALLED FOR NEW SYSTEM BASED ON INTER-  
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NATIONAL UNIT OF ACCOUNT, SIMILAR TO IMF'S SDR'S, AND QUOTE NOT ON GOLD UNQUOTE. MOREOVER, HE CALLED FOR PROVISION FOR AUTOMATIC TRANSFER OF RESOURCES FROM RICH TO POOR NATIONS WHICH CAN BE ACHIEVED BY QUOTE BIASING UNQUOTE ALLOCATION OF SDR'S IN FAVOR OF LDC'S.

5. ALSO AS RESULT EVER GREATER DEPENDENCE ON FOREIGN TRADE, MASIRE SAID BOTSWANA IN CONJUNCTION WITH SWAZILAND AND LESOTHO PREPARING FOR NEGOTIATIONS FOR ASSOCIATION WITH EEC WHICH, HE

SAID, WILL BE ESPECIALLY DELICATE AND DIFFICULT BECAUSE OF COUNTRIES MEMBERSHIP IN SOUTH AFRICAN CUSTOMS UNION.

6. POINTING TO PROBLEMS, VICE PRESIDENT COMPLAINED GOB HAD BEEN ENDEAVORING FOR NINE MONTHS WITHOUT SUCCESS TO CONVENE MEETING WITH SOUTH AFRICA AUTHORITIES TO DISCUSS MONETARY ARRANGEMENTS. HE REPORTED NEGOTIATIONS TENTATIVELY AGREED UPON FOR MAY. HE SAID RAPID INCREASE OF INFLATION IN SA ( WHOLESALE PRICES INCREASED ROUGHLY NINE PER CENT IN 1972) WAS CRITICAL PROBLEM FOR BOTSWANA WHILE CONTINUED HIGH INTEREST RATES ADVERSELY AFFECTING BUSINESS DEVELOPMENT. CONCERNING DOMESTIC SITUATION, MASIRE COMPLAINED THAT POLICIES ON INCOMES, EMPLOYMENT, PRICES AND PROFITS AND ON RURAL DEVELOPMENT, ANNOUNCED A YEAR AGO, HAVE NOT BEEN FULLY UNDERSTOOD OR IMPLEMENTED.

7. 1971/72 REVENUES ON RECURRENT BUDGET EXCEEDED EXPENDITURE BY JUST UNDER 600,000 RAND. CURRENT YEAR REVENUES ON RECURRENT BUDGET HIGHER THAN ANTICIPATED AT R27.5 MILLION LEAVING SURPLUS OF APPROXIMATELY R5.5 MILLION. AS CONSEQUENCE SLOW START ON DISBURSEMENTS FOR SHASHE PROJECT, TOTAL 1971/72 DEVELOPMENT EXPENDITURES JUST EXCEEDED 12.25 MILLION RAND, LESS LHAN ANTICIPATED OUTLAY OF R18 MILLION. TOTAL CURRENT YEAR DEVELOPMENT EXPENDITURES LIKELY TO APPROACH R30 MILLION, R24 OF WHICH SPENT ON SHASHE PROJECT.

8. PROJECTIONS FOR 1973/74 RECURRENT BUDGET CALL FOR EXPENDITURES BALANCED BY REVENUES AT R36.8 MILLION LEVEL. APPROPRIATION OF R4.5 PROPOSED FOR REVENUE STABILIZATION FUND TO ENABLE GOB TO MEET ANTICIPATED DEFICITS PROJECTED FOR 1976-1979. 28 PER CENT INCREASE EARMARKED FOR ORDINARY EXPENDITURE ACCOUNT ( SALARIES, ADMINISTRATIVE OUTLAYS, SUPPLIES, ETC.) SINCE INCREASE SIZE PUBLIC SERVICE CONSIDERED ESSENTIAL FOR IMPLEMENTATION TOTAL DEVELOPMENT PLAN. 869 NEW POSTS PROVIDED FOR, UNCLASSIFIED

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RAISING CIVIL SERVICE ESTABLISHMENT TO NEARLY 7000 POSTS. DESPITE INCREASED OUTLAYS FOR EDUCATION, TRAINING PROGRAMS AND LARGER PUBLIC SERVICE, LARGE NUMBER OF VACANCIES WILL PERSIST INTO COMING YEAR. AS CONSEQUENCE, VICE PRESIDENT STRESSED CONTINUING HEAVY RELIANCE ON EXPATRIATE PERSONNEL. AS CONSEQUENCE HIGH IMPORT LEVELS, MASIRE ESTIMATED CUSTOMS UNION TRANSFER PAYMENTS REPRESENTING CUSTOMS, EXCISE AND SALES DUTY RECEIPTS WILL AMOUNT TO IMPRESSIVE R21 MILLION COMPARED TO R12.5 MILLION IN 1972/73. INCOME TAX RECEIPTS EXPECTED TO AMOUNT TO JUST OVER R4 MILLION, WHILE ROYALTIES AND DIVIDEND PAYMENTS FROM DIAMOND MINE SHOULD CONTRIBUTE APPROXIMATELY R3 MILLION TO RECURRENT BUDGET.

9. 1973/74 DEVELOPMENT BUDGET TARGET SET AT R55 MILLION, ALTHOUGH MASIRE ANTICIPATES ACTUAL EXPENDITURE WILL AMOUNT TO HALF THAT AMOUNT. ALTHOUGH EXPENDITURES ON SHASHE

PROJECT WILL AGAIN PREDOMINATE, GOB LAUNCHING A NUMBER OF NEW INITIATIVES REFLECTING PRIORITY GIVEN TO IMPROVED AGRICULTURAL PRODUCTION AND RURAL DEVELOPMENT. IN ADDITION TO LARGE LIVESTOCK INDUSTRY DEVELOPMENT PROJECT (SIDA/ AIDA), FUNDS TO BE ALLOCATED FOR ESTABLISHMENT OF AGRICULTURAL MARKETING BOARD, EXPANSION OF RURAL CREDIT AND RESTRUCTURING OF AGRICULTURAL EXTENSION SERVICES. VICE PRESIDENT ALSO MENTIONED PROGRAM OF IMPROVEMENT OF VILLAGE WATER SUPPLIES (SIFA), AND TWO NEW PROGRAMS FOR IMPROVEMENT RURAL ROADS AND CONSTRUCTION NETWORK HEALTH POSTS AND CLINICS (NORAD). WORK TO BE INITIATED ON SMALL ENTERPRISE DEVELOPMENT PROGRAM INVOLVING ESTABLISHMENT INDUSTRIAL ESTATES AND RURAL EXTENSION SERVICE (SIDA, UNDP). ALSO MENTIONED WERE GABORONE-LOBATSE ROAD (TENDER LET), QUOTE IMPORTANT UNQUOTE BOTSWANA- ZAMBIA ROAD AND TELECOMMUNICATIONS DEVELOPMENT PROJECT. IN EFFORT DEVELOP TRAINED MANPOWER, CONSTRUCTION OF GABORONE VOCATIONAL TRAINING CENTER TO START SOON. VICE PRESIDENT PAID TRIBUTE TO FOREIGN DONOR AGENCIES WHOSE CONTRIBUTIONS MAKE DEVELOPMENT POSSIBLE. HE REPORTED U. K. RECENTLY AGREED TO CAPITAL AID AMOUNTING TO EIGHT MILLION POUNDS OVER THREE YEAR PERIOD. ALTHOUGH SUM LESS THAN PREVIOUS ASSISTANCE LEVELS, GOB CONSOLED BY FACT 40 PER CENT TO BE PROVIDED IN FORM OF GRANTS. SWEDISH AID SHOULD AMOUNT TO R3.3 MILLION OF WHICH ONE MILLION DEVOTED TO TECHNICAL ASSISTANCE. NORWAY HAS ALLOCATED R1 MILLION FOR NEXT FINANCIAL YEAR. VICE PRESIDENT MENTIONED BOTSWANA HAS JOINED AFRICAN DEVELOPMENT BANK AND IS CURRENTLY NEGOTIATING LOAN FOR TELECOMMUNICATIONS EQUIPMENT. HE THANKED U. S. GOVERNMENT FOR SUPPORT

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TO UNIVERSITY, REGIONAL TESTING CENTER AND LOAN FUNDS FOR SHASHE AND BOTSWANA- ZAMBIA ROAD PROJECTS.

10. COMMENT. DRAMATIC INCREASES IN DOMESTIC REVENUES WHICH ENABLE GOB TO BALANCE RECURRENT BUDGET DIRECTLY RELATED HEAVY INCREASE IMPORTS ASSOCIATED WITH DEVELOPMENT DIAMOND, COAL AND COPPER- NICKEL MINING COMPLEXES. IN ACCORDANCE WITH

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